



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: June 10, 2004

TO: Legislative Finance Committee

FROM: Greg DeWitt
Senior Fiscal Analyst

RE: Issues regarding POINTS Replacement Project (IRIS)

The 2003 legislature passed SB 271, which provided \$17 million for the replacement of the POINTS System in the Department of Revenue. The funding was to be administered by the Department of Administration. SB 271 made clear that this would be the first phase of a complete revenue collection system, and that a base component and at least one tax processing component of the replacement system were required to be completed and in operation by February 1, 2005 out of the initial \$17 million funding. It was understood during hearings that after implementation of the first phase, there would be a request for additional funds to complete all components of the revenue collection system.

The implementation of the first phase of IRIS has proceeded ahead of schedule and below budget. In fact, the base system and three of the five taxes planned for the current biennium (rental vehicle tax, lodging facilities use tax, and cigarette tax), and the remaining two taxes (withholdings and combined oil and gas) are scheduled for implementation in July and August respectively. Current estimates indicate that enough funding will remain at the completion of planned activities to potentially do additional tax modules.

Extensive discussion has taken place regarding the feasibility of implementing additional tax modules with the remaining 2005 biennium appropriation. However, the decision was made to only do the original five taxes, due to several factors, including funding issues and legislative intent concerns. A significant issue is the legal questions that have arisen regarding the funding authorized in SB 271 for funding phase 1. Due to legal concerns, bonds were not issued, and instead the funds were provided by a loan from the coal tax trust fund.

The decision to curtail implementation now and seek additional funds in the next session has several impacts, some negative. Representative Brueggeman has asked that this issue be discussed at the June 18 LFC meeting, and that the committee explore the possibility of encouraging the department to utilize remaining 2005 biennium funds to do additional modules. This issue will be discussed on Friday afternoon at 1:00 p.m.